

6 October 1955

MEMORANDUM FOR: The EIC Secretariat

FROM: Chairman, EIC Subcommittee on General Economic Analysis

SUBJECT: Annual Report on the Activities of the Subcommittee on General Economic Analysis for Fiscal 1955.

1. Two meetings were held during the year: 21 October 1954 and 19 January 1955.

2. Although the project deficiencies report of the Subcommittee was completed on 15 March 1954, it has not received the final approval of all members of the Subcommittee. This failure may be attributed primarily to the delay in the procurement of a security clearance for one of the member agency representatives.

3. No projects were undertaken by the members of the Subcommittee at the direction of the EIC.

4. Two substantive discussions of economic intelligence were held for the Subcommittee by ORR (Analysis Division) personnel. The first of these discussions on the significance of the "New Economic Policy" in the Soviet Union was held in 1954 and was attended by only three of the five member agencies. The second discussion concerned a Preliminary Evaluation of the Schelling Report. Both of these presentations were greeted with enthusiasm by Subcommittee members and plans were laid for continuing this interchange of useful information.

5. The Subcommittee coordinated an ORR external research project on East German national accounts in October 1954. No opposition to the project was voiced.

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6. In the matter of agreed statistics, the Subcommittee instructed OIR and ORR to attempt to reconcile their differences regarding Soviet National Accounts and refer the results to the Subcommittee. ORR and OIR attempted this reconciliation by means of a long series of discussions lasting from February through July, 1955. The effort did not, unfortunately, result in the hoped-for agreed statistics, although many detailed differences were clarified. Two unreconciled estimates were contributed to ONE for NIE 11-3-55 and two parallel estimates were furnished, in some instances, [REDACTED] for the project Economic Comparison of NATO and the Bloc. The differences which presently separate OIR and ORR on statistics common to their individual research efforts are extremely technical and often definitional in nature. Because of these facts, it is believed that the best procedure in future will be to continue direct and continual negotiations between the two offices outside the more cumbersome mechanism of the Subcommittee.

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7. Future Program of the Subcommittee.

As Chairman of the Economic Intelligence Committee's Subcommittee on General Economic Analysis, I recommend:

- a. that the Subcommittee continue to meet as need arises rather than on a fixed schedule,
- b. that the membership remain the same,
- c. That the primary function of the Subcommittee to review and approve external research contracts be continued as per NSCID directive,
- d. that the review of substantive papers and significant economic development in the Subcommittee be continued on a more active basis,
- e. that the subcommittee no longer be responsible for attempting to achieve agreed statistics in its field.

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GENERAL ECONOMIC ANALYSIS

Since the State Department representative indicated particular concern over the future of the General Economic Analysis Subcommittee, it is believed that consideration of the future of this group should be postponed until Mr. Doherty returns to the country. It is hoped that this subcommittee can be considered at the December meeting.

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Security Information

MEMORANDUM TO: Executive Secretary, EIC

DATE: 30 June 1953

FROM : Chairman, SEA

*Economic Analysis*

SUBJECT : Review of the programs of the EIC subcommittees.

1. A complete review of the intelligence product, research facilities and critical intelligence gaps in the field of general economic analysis was attempted by this subcommittee during the early months of its existence. While no formal report of this survey was made, the effort did reveal that of the total intelligence resources concerned with general economic analysis on the Soviet Bloc the overwhelming share is to be found within CIA. No conclusions were drawn as to the adequacy of these resources to meet US intelligence needs.

2. Among the topics that have been proposed in the past as possible research projects for the subcommittee are the following:

a. A study on the Chinese economy since the Communist accession to power including the extent of the recovery in industrial production, the extent of monetary stabilization attained, and the industrial development of Manchuria.

b. A study of Soviet recuperative powers and mobilization status and plans.

c. A project on Soviet Satellite inflation including the nature of allocation schemes, credit and monetary controls, and the extent of unplanned inventory investment due to over-expansion of credit.

d. A study to develop absolute magnitudes for various economic aggregates in the Soviet Bloc.

e. A study of ruble-dollar parities or ratios.

The project on Satellite inflation is under discussion by the subcommittee at the present time. No action was taken by the subcommittee in connection with the remaining four of the above proposed projects.

3. The only project undertaken at the direction of the EIC was a survey of critical intelligence deficiencies in the field of general economic analysis.

4. The major discussion on the subject of intelligence research techniques that has occurred under subcommittee auspices concerned problems in the field of Soviet price analysis and theoretical problems involved in applying to the Soviet economy the experience gained in input-output analysis of the US economy. A subcommittee working group is presently engaged in a review of these various problems.

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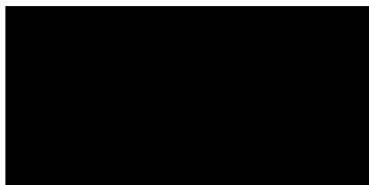
5. The subcommittee has recently coordinated two proposed CIA/RR external research projects with the Bureau of Labor Statistics on the input structure of US industries. The subcommittee, on the basis of EIC directives, expects to continue this type of coordination.

6. The role that the subcommittee has played thus far has been a relatively passive one, with the exception of certain of the activities noted above. In view of the scope and complexity of the field to which it is committed by its terms of reference, and in view of the limited resources available outside CIA that are directed to the geographic area with which it is concerned, the subcommittee has thus far been unsuccessful in undertaking broadly coordinated studies on an interagency basis. The subcommittee in exercising successfully certain past coordinative and liaison functions, has provided clear indication that its potential role as a medium for inter-agency review and coordination is relatively high. As a forum for general discussion of concepts and methods to be employed in economic research on the level of general economic analysis, the subcommittee has manifested interest and achieved a measure of success, although it cannot be said that the subcommittee has made any significant contributions to conceptual techniques. Remedial suggestions would primarily include a reorientation of this particular subcommittee away from the intelligence production function normally anticipated for EIC subcommittees, and continued emphasis on the forum-coordination function to which it is well adapted.

7. No plans have been formulated concerning the future program of the subcommittee except those reported in the minutes of the last meeting (SEA-M-5, 9 June 1953).

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